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SUBJECT: GOT Extends Rice Import Moratorium

Sensitive but Unclassified. Not for Internet Distribution.

[11.](#) (SBU) Summary: The Government of Turkey (GOT) extended its moratorium on rice import licenses for another six months till March 2004. The Turkish Press is suggesting that importers requested the ban in order to force domestic prices higher and earn windfall profits. More likely, with upcoming elections the GOT is looking to increase prices for domestic rice farmers and circumvent IMF/World Bank requirements by not providing direct subsidies or increasing support prices. The GOT as usual failed to provide any official notice on the moratorium either to foreign embassies or the WTO. End Summary.

Newspaper Announcement

[12.](#) (SBU) On October 1, Turkish newspaper articles reported that the Ministry of Agriculture and Rural Affairs (MARA) had extended its moratorium on rice import licenses until March 2004 - February 1, 2004 for paddy rice and March 1, 2004 for milled rice. This is the first time the moratorium has been extended to such a late date. For the past three years, the GOT stopped issuing rice import licenses between August 1 and October 15 until most of the Turkish rice harvest had been completed. Turkish importers, however, knowing the moratorium would be implemented normally imported larger quantities prior to August in order to ensure sufficient supplies during the three-month ban. This year, for example, importers bought approximately 80 TMT of rice just prior to August.

The Blame Game

[13.](#) (SBU) The article criticized importers as being responsible for the moratorium extension. According to the article, importers bought large quantities prior to August and requested the GOT to extend the moratorium. The article accused importers of seeking windfall profits from the moratorium. The article claimed that prior to August 2003 Turkish milled rice prices were USD 450 a ton but increased to USD 580 a ton after the moratorium was implemented. We contacted two of the largest importers of rice who scoffed at the accusations noting that prices actually fell during the first part of August.

Impact on U.S Trade - Minor

[14.](#) (SBU) Importers commented that the moratorium on import licenses would probably have little effect on U.S. rice exports to Turkey. First, with weather conditions in California delaying the rice harvest, California rice will most likely not be available for export until November or December. Second, tight rice supplies in the United States will make it difficult to source rice from the United States. According to the importers, U.S. imported prices for Calrose rice is approximately \$800 - \$850 ton. On Turkey's domestic market, Calrose prices are \$700 - \$750 per ton.

The Egypt Wild Card

15. (SBU) Importers noted that ban would be more effective against lower-priced Egyptian rice currently being offered at USD 250 - USD 320 a ton. Given the tight U.S. market, more Egyptian rice would be the more likely option to fill any shortfall. Even if the ban is lifted in early 2004, importers don't expect much U.S. rice to even be available for purchase.

Elections Looming

16. (SBU) The more reasonable explanation to the extended moratorium is domestic politics. With elections on the horizon, MARA officials are looking to provide some assistance to local Turkish rice producers. Given the lack of GOT funds available and IMF/World Bank restrictions on domestic support programs, the GOT can raise domestic prices only by restricting supplies and imports. The GOT has used similar practices in the past to support Turkish wheat farmers (restricting import licenses) as well as corn, and edible oil producers (higher duties).

Is the Sky the Limit?

17. (SBU) As a result of the moratorium, experts believe domestic rice prices will rise as Ramadan approaches. Officials are counting on a large domestic crop. However, industry officials who are currently purchasing domestic rice, contend that the domestic crop will not be as large as officials hope. As a result, we may see a repeat of 2002 when prices increase so drastically during Ramadan that the Turkish Grain Board was forced to import rice to reduce prices. If this should occur again, the GOT may be forced to lift the moratorium.

Comment: Same Old Same Old

18. (SBU) The extended moratorium on rice import licenses is most likely driven by domestic politics rather than importer greed. Prior to elections, the GOT has repeatedly tried to curry the favor of its agriculture producers and rural population who represent 40% of the population. Most agriculture producers expect some form of support from the government. The GOT has become very creative in circumventing IFI requirements by increasing prices by restricting supplies through tariffs or licensing. As is usual, the moratorium was initially announced by internal memorandum with no official notification to foreign embassies or the WTO. Unfortunately, as is the case with most GOT intervention into the agriculture market, Turkish consumers will bear the brunt of the added costs and in the end the GOT may still be forced to import rice at an inconvenient time if prices increase too much.

Edelman